

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 2C Contracts (MC2012-5)
Negotiated Service Agreement

Docket No. CP2013-36

PUBLIC REPRESENTATIVE COMMENTS ON A
POSTAL SERVICE NOTICE CONCERNING
AN ADDITIONAL GLOBAL PLUS 2C
NEGOTIATED SERVICE AGREEMENT

(January 18, 2013)

The Public Representative hereby provides comments pursuant to Order No. 1616.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of its entry into an additional Global Plus 2C negotiated service agreement.² Global Plus contracts provide volume-based rates to Postal Qualified Wholesalers (PQW) and other high-volume mailers that market mailing services to their end-use customers shipping mail and articles via any combination of the following: International Priority Airmail (IPA), International Surface Air Lift (ISAL), Global Bulk Economy (GBE), Global Direct (GD), Global Express Guaranteed (GXG), Express Mail International (EMI), Priority Mail International (PMI), Commercial ePacket (CeP), and International Business Reply Service (IBRS).³

¹ PRC Order No. 1616, Notice and Order Concerning An Additional Global Plus 2C Contract, January 10, 2013.

² Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 2C Contract Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal, January 8, 2013 (Notice).

³ *Id.* at 6; Errata to Request of United States Postal Service to Add Global Plus 2C to the Competitive Products List and Notice of Filing Two Functionally Equivalent Global Plus 2C Contracts, Negotiated Service Agreement, Docket Nos. MC2012-5, CP2012-10 and CP2012-11, January 5, 2012, Attachment 2C.

Prices and classifications not “of general applicability” for Global Plus 2 contracts were previously established by Governors’ Decision No. 08-10.⁴ In Order No. 112, the Commission authorized the addition of the Global Plus 2 product to the competitive product list and determined that the Global Plus 2 contracts filed in Docket Nos. CP2008-16 and CP2008-17 should be included within the product.⁵ The Commission also determined that the Global Plus 2 contracts filed in Docket Nos. CP2009-48 and CP2009-49 should be included in the Global Plus 2 product.⁶ Subsequently, the Commission approved the Global Plus 2A and Global Plus 2B products, and included the contracts filed in Docket Nos. CP2010-69 and CP2010-70, and Docket Nos. CP2011-41 and CP2011-42, within those products, respectively.⁷ More recently, the Commission approved the Global Plus 2C product, and included the contracts filed in Docket Nos. CP2012-10 and CP2012-11 within the product.⁸ These contracts serve as the baseline agreements for functionally equivalency analyses of future Global Plus 2C contracts. *Id.* at 6 – 7.

In this proceeding, the Postal Service requests that the instant contract be included within the Global Plus 2C product. Notice at 9. The instant contract is the successor to the contract filed in Docket No. CP2012-11. *Id.* at 3. The Postal Service also states that the instant contract is scheduled to become effective on January 23, 2013, upon the termination of the Global Plus 2C contract filed in Docket No. CP2012-

⁴ See Decision of the Governors of the United States Postal Service on the establishment of Prices and Classifications for Global Direct, Global Bulk Economy, and Global Plus Contracts, July, 16, 2008, filed as an attachment to Request of the United States Postal Service to Add Global Plus 2 Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) The Enabling Governors’ Decision and Two Functionally Equivalent Agreements, Docket Nos. MC2008-7, CP2008-16, and CP2008-17, August 8, 2008.

⁵ PRC Order No. 112, Order Concerning Global Plus 2 Negotiated Service Agreements, Docket Nos. MC2008-7, CP2008-16, and CP2008-17, October 3, 2008.

⁶ See PRC Order No. 267, Order concerning Filing of a Functionally Equivalent Global Plus 2 Contract Negotiated Service Agreement, Docket No. CP2009-48, July 31, 2009; *see also*, PRC Order No. 268, Order Concerning Filing of a Functionally Equivalent Global Plus 2 Contract Negotiated Service Agreement, Docket No. CP2009-49, July 31, 2009.

⁷ See PRC Order No. 505, Order Approving Functionally Equivalent Global Plus 2A Contracts Negotiated Service Agreement, Docket Nos. MC2010-27, CP2010-69 and CP2010-70, July 30, 2010; *see also* PRC Order No. 623, Order Adding Global Plus 2B to the Competitive Product List and Approving Functionally Equivalent Global Plus 2B Contracts, Docket Nos. MC2011-8, CP2011-41, and CP2011-42, December 23, 2010.

⁸ See PRC Order No. 1135, Order Adding Global Plus 2C to the Competitive Product List and Approving Functionally Equivalent Global Plus 2C Agreements, PRC Docket Nos. MC2012-5, CP2012-10, and CP2012-11, January 13, 2012.

11, and remain in effect through the day prior to the date in January 2014 “when Canada Post corporation institutes price changes for its domestic Lettermail, Incentive Lettermail, Admail, and/or Publications Mail products.” *Id.* at 5. If Canada Post does not change its prices during the month of January 2014, the contract terminates on January 31, 2013. *Id.*

COMMENTS

The Public Representative has reviewed the Postal Service’s Notice, the instant contract, and the supporting financial model filed separately under seal. Based upon that review, the Public Representative concludes that the instant Global Plus 2C contract complies with section 3633(a), concerning rates for competitive products, and that the instant contract is functionally equivalent to the baseline agreements.

Functional Equivalence. In its Notice, the Postal Service states that the instant Global Plus 2C contract “is substantially similar to the contracts filed in Docket Nos. CP2012-10 and CP2012-11 . . . in that they share similar cost and market characteristics. *Id.* at 5. Despite the similarity of cost and market characteristics, functional terms and benefits, the Postal Service identifies differences between the instant Global Plus 2C contract and the baseline agreements. *Id.* at 6. The most notable differences are the elimination of Global Bulk Economy (GBE), and the addition of International Business Reply Service, as service options for the mailer. *Id.* at 6 – 7. Other differences include: In Article 3, a revision to Qualifying Mail; in Article 7, the negotiated revenue commitment, and requirements concerning tender, advanced notification, penalties, and customs and export; in Article 12, the term of the agreement; an additional Article 35, concerning Intellectual Property, Col-Branding, and Licensing; an additional Article 36, concerning Warranties and Representation; and the customer’s name and address, and representative. *Id.* at 7 – 8.

The Postal Service maintains that these differences do not “affect either the fundamental service . . . or the fundamental structure of the contract . . . [and that] this agreement is ‘functionally equivalent in all pertinent aspects’” to the baseline contracts. *Id.* at 8 [Citation Omitted]. The Public Representative agrees that these differences do

not alter the conclusion that the instant Global Plus 2C contract is functionally equivalent.

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the instant “Global Plus 2C contract is in compliance with the requirements of 39 U.S.C. § 3633.” *Id.* at 9. The financial model accompanying the Postal Service’s Notice indicates that the negotiated prices in the contract should generate sufficient revenue to cover costs. The Public Representative therefore concludes that the instant Global Plus 2C contract appears compliant with section 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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